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Tamilina, Larysa

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THE WELFARE STATE AND SOCIAL TRUST: A DESCRIPTIVE ANALYSIS

Larysa Tamilina

Independent Research

Diakogianni Str. 7

Marousi Athens

15126 Greece

Phone: +30 210 7777640

E-mail: larysa.tamilina@gmail.com

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Author Note

Correspondence concerning this paper should be addressed to Larysa Tamilina (E-mail: larysa.tamilina@gmail.com).

1. Levels of interpersonal and institutional trust in OECD countries

Before proceeding to the analysis of the effects welfare state development has on social trust formation, it is plausible to discuss trust level variation in the selected countries. The analysis reveals that the average level of interpersonal trust in 18 OECD countries represents a satisfactory value, equal to 0.41 out of 1, while the fluctuation among countries slightly exceeds 50% of the average score. When looking at the country case analysis, it becomes visible how different interpersonal trust indexes are among the chosen countries. The figure given below illustrates that out of 18 countries, Scandinavian countries can be considered highly trusting nations: the percentage of trusting people in Denmark, Sweden, Norway and Finland is around 60. These findings confirm the vast literature on the corporatist and participatory nature of the economic and political system of Northern Europe. At the same time, it also confirms a general opinion about the outstanding level of trust in the Scandinavian countries, which suggests that Scandinavian nations are outliers in all types of social capital discussions.

The Netherlands is also highly trusting. New Zealand follows Finland with about 50% of people who give a positive answer to the trust question. The rest of the countries show little variation in the percentage of trusting people, which fluctuates on average between 30 and 35 percent, being almost twice as less as the Scandinavian nations.

France was found to be the least trusting nation with slightly more than 20 percent of the population believing that other people can be trusted. The latter is difficult to explain. There is no economic and political instability in France, which is marked by foreign interventions, waves of refugees and immigrants, or periods of civil war and dictatorships. However, it is possible to assume that the development of civil society in France as well as in other countries with low trust levels is a slow process, which may explain the low trust levels there. In France, for instance, only

19.1 percent of people are members of different organizations. The same is also true for Italy and the United Kingdom where membership in organizations hardly exceeds 20 percent, compared to social democratic countries where the figure is around 80 percent.

The findings are generally consistent with the results provided by other studies, which usually emphasize that the lowest levels of social capital can be found in the Mediterranean countries while the highest can be found in the Scandinavian nations (Frane, 2008; Van Oorschot and Arts, 2005).

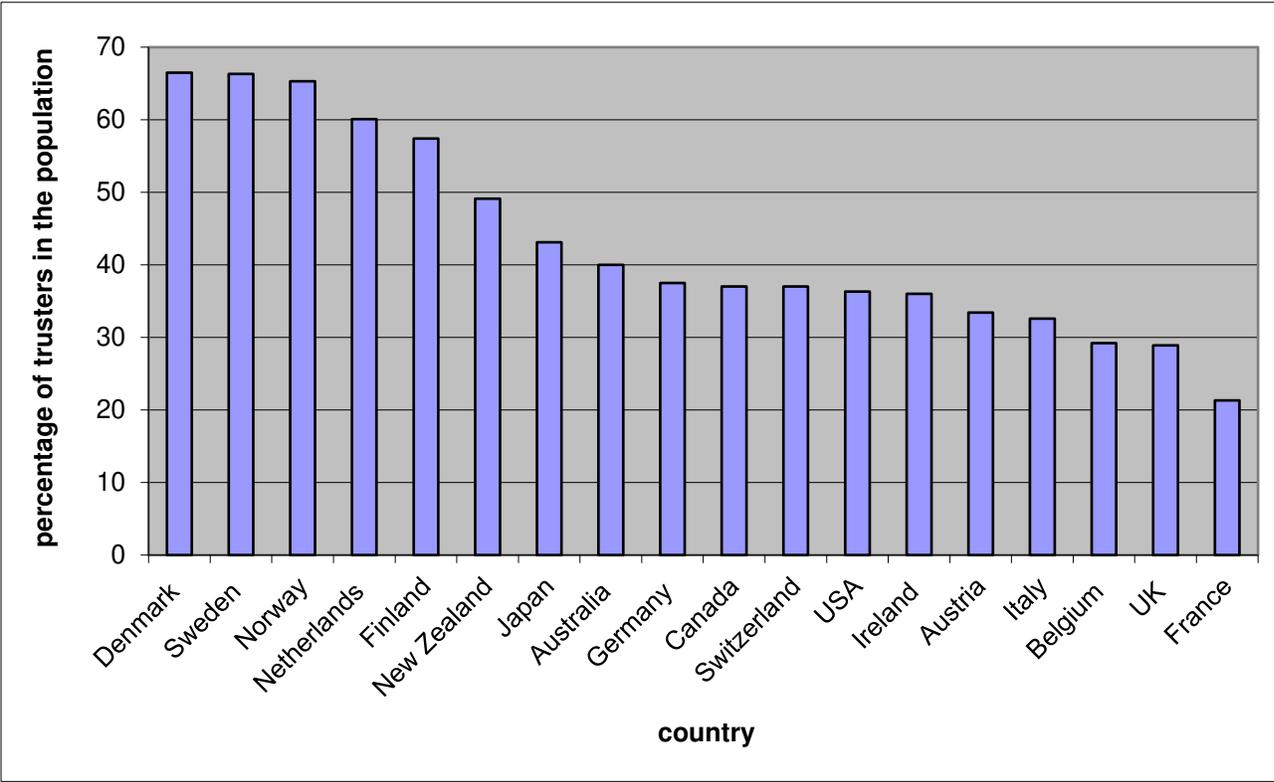


Figure 1.: Variation of interpersonal trust in OECD countries

(Source: World Values Survey)

The analysis of the share of trusting populations by welfare regime type confirms the results obtained in the country case study. In social democratic regime types, about 63 percent of

respondents believe that other people can be trusted. Surprisingly, liberal welfare regime types precede conservative types in the ranking, showing that on average the share of trusting people is slightly higher in the former than in the latter. The difference is however negligible: 38.3 percent of the population is trusting in liberal regimes while the latter score equals 35.3 percent in continental regimes.

The analysis of the average level of institutional trust scores does not provide a clear distribution. In total, the average value of institutional trust among selected countries equals 10 while the variation across nations constitutes about 30 percent of the average value. In Denmark, Austria, and Finland the institutional trust level reaches almost 12. In Italy, the confidence in institutions slightly exceeds 8 (out of 19), while the rest of the nations are situated somewhere in between: trust in the rest of the countries varies between 10 and 11.

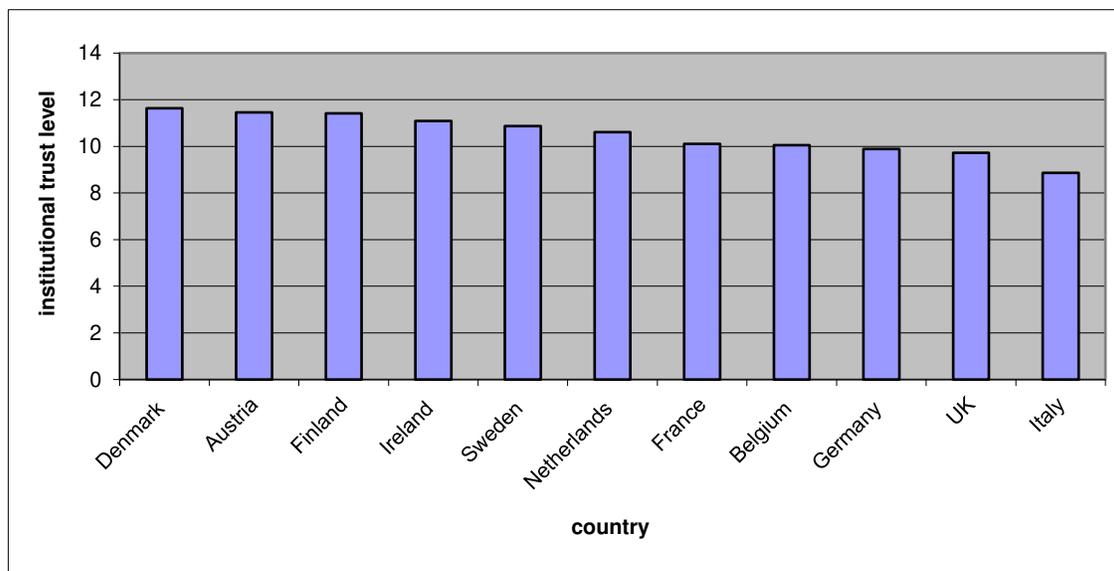


Figure 2.: Variation of institutional trust in OECD countries

Source: World Values Survey

If we move to the welfare regime typology, we see less fluctuation in trust levels compared to the case of interpersonal trust. Social democratic regimes are at the top of the ranking with

average institutional trust levels equal to 11.31. Liberal welfare regime types are in the middle with a value of 10.44 (out of 19). It is followed by conservative welfare regime types where the average institutional trust score equals 10.05.

One should note that liberal countries reveal high levels of institutional and interpersonal trust. This result is observed despite the market liberalism that prevails in those countries. Christoforou (2004) explains this paradox by the fact that social groups and organizations within the economy's sphere of voluntary activities work to supplement state welfare services, which creates an environment she calls 'mixed economy welfare' or 'welfare pluralism'.

Special attention should be given to the analysis of the confidence people have towards the social security system. Although the general tendency coincides with that of trust in institutions, there are some specificities in the distribution of trust and mistrust among the selected nations. Scandinavian countries, along with Austria, Belgium, France, and the Netherlands, show a great deal of trust in their social security systems. Germany and Ireland are a bit behind but still have high amounts of confidence in welfare institutions. The United Kingdom and Italy close the ranking as the least trusting of their respective social security systems.

Table 1.: Distribution of trust and mistrust towards social security systems in 18 OECD countries

<i>Country</i>	<i>Confidence in social security system</i>			
	High	Moderate	Little	None
Australia	-	-	-	-
Austria	17	50	29	4.0
Belgium	14	55	24	7
Canada	-	-	-	-

Denmark	9	58	30	3
Finland	8	62	26	4
France	13	53	24	10
Germany	3	43	45	9
United Kingdom	4	30	50	16
Ireland	12	46	36	6
Italy	6	28	47	19
Japan	-	-	-	-
Netherlands	9	55	32	4
New Zealand	-	-	-	-
Norway	-	-	-	-
Sweden	4	46	45	5
Switzerland	-	-	-	-
United States	-	-	-	-

Source: World Values Survey

The descriptive analysis of trust distribution in the selected 18 countries provides results which are in line with the existing findings. Social democratic countries come first in the level of both forms of social trust: interpersonal and institutional. They are followed by the liberal and continental welfare regime types which vary quite a bit in the case of interpersonal trust and negligibly in the case of institutional trust. It should be also noticed that the gap between continental and liberal countries is not as big as was expected.

2. Changes in social trust levels over time

As can be easily deduced from the research overview presented above, the theory explaining causal mechanism in the relationship between welfare state development and social capital formation is quite controversial. The empirical studies seeking to prove a positive or

negative direction are however more contradictory and ambiguous. The problem stems from the fact that there is no agreement among scholars in not only the direction of the relationship between these two variables of interest but also in the direction of social capital change over the last few decades. Putnam (1995, 2000) claims for instance that there is a decline in social capital levels over the period from 1930 to 1998 in the United States. He distinguishes four socio-economic/demographic factors explaining this trend¹ without taking account of the effects of the welfare state.² However, Putnam emphasizes the need to explore creatively how social policies infringe on social capital formation. Moreover, he recognizes their potential dubious impact: on the one hand, public policy may destroy highly effective social networks and norms while, on the other hand, some social policy, like the agricultural-agent system, community colleges, and tax deductions for charitable contributions, may encourage social capital formation.

Paxton goes further in his analysis than his predecessors by distinguishing between two components of social capital: trust and associations (Paxton, 1999) with trust being further divided into trust in institutions and trust in individuals. His analysis shows some decline in trust in individuals over the period from 1975 to 94 (about 0.5% drop per year), but no general decline in trust in institutions and no decline in associations. He does not analyze the effects of public policies either, but his contribution consists in attempting to explain the lack of agreement among scholars about the possible trends of social capital by the presence of a gap between the concept of social capital and its measurement. The research conducted later settled this problem by presenting social capital as a multidimensional concept and analyzing the dynamics of each component separately.

¹ Among the key factors explaining this decline, he distinguishes between the movement of women into the labor market, increased mobility of the people, other demographic transformations (fewer marriages, more divorces, fewer children, lower real wages and so on), and the technological transformation of leisure.

² There are several studies that either contest this tendency (Ladd, 1996) or try to explain it with other factors (Costa and Kahn, 2003)

Uslaner (2000-2001) comes to the same conclusion concerning the dynamics of interpersonal (generalized) trust found by Paxton. According to his calculations, over the past four decades the share of Americans who believe that most people can be trusted plummeted from 58% in 1960 to 36%. He demonstrates that this negative dynamics can be explained to some extent by the rise of Christian fundamentalism among believers accompanied by a simultaneous growth of the 'unchurched' in American society. But the main negative effect on social capital should have stemmed, in his opinion, from the increased pessimism among Americans about their future produced by the rise of income inequality.

The same tendency of social capital over the last two decades was found by You Jong-sung (2005) in Korea. But again, he explains this negative trend only with political and economic factors without considering social policies as a potential threat to social capital formation.

In European countries, the dynamics of social capital usually appears to be more favorable. Hall (1999) find no erosion in social participation in Britain, but in line with Uslaner, he suggests that overall levels of social trust declined between 1956 and 1990. He cites three main factors³ that positively affect social capital in Britain, among which he mentions government actions, especially those having to do with the delivery of social services. The impact of government policies is however restricted to encouraging and sustaining voluntary community involvement by directly funding these activities through local or central authorities. Welfare state activities are hence largely ignored in his research.

No decline in social capital was found in the other three European countries: Switzerland (Freitag, 2001), Finland (Siisiainen, 1999) and the Netherlands (De Hart and Dekker, 1999). But

³ Two other factors which may explain the absence of decline over the last decades are educational policy (a radical transformation in the educational system marked by a massive expansion of both secondary and postsecondary education) and changes in class structure of British society (driven by economic and political developments that have altered the distribution of occupations and life situations among the population).

linking these trends in social capital to the social policies existing in their countries was not the subject of the analysis in those studies.

Others argue that it is impossible to track changes in social capital at all. They ask the following question: if as Putnam argues, social capital is a phenomenon of long duration, how can it be quickly eroded? Schuller, Baron, and Field (2000) explain for instance that there is no logical requirement for temporal symmetry. In other words, it is not impossible for something which has developed incrementally over a long period of time to be summarily destroyed. But inherent to the analysis of factors such as trust is the difficulty of discerning movement over time and isolating it from the range of other factors which in a long timescale is bound to present.

Hardin (2006) also supports this idea. He asserts that the decline of trust in the United States and elsewhere is of too short a duration (a little more than four decades) to yield strong secular conclusions. The data on European nations other than Sweden and the United Kingdom are of a much shorter duration. There are other data, often much less focused, that tell us something about the long term trend, but making sense of these is sufficiently difficult and has spawned a large industry and many conflicting views.

The World Values Survey provides data over the last two decades which to some extent represent too short a period to draw robust conclusions. Nevertheless, we use these data to describe at least a short term trend of interpersonal and institutional trust among the selected 18 nations. The results obtained give mixed evidence about the fluctuation of trust levels over the last two (or in some cases even fewer) decades. In Australia, for instance, the share of people who positively answered the trust question slightly declined over the period from 1981 to 1998. The same tendency was found in France, the United Kingdom, and Switzerland. An especially sharp decline

appeared in the United Kingdom, where the share of trusting people in the population dropped from 43.1 percent in 1981 to 28.9 percent in 1999.

In Austria, Denmark, Japan, the Netherlands, Norway, and Sweden, the percentage of the trusting population increased over the analyzed period. A particularly strong tendency of positive change was registered in the Netherlands: from 44.8 percent in 1981 to 60.1 percent in 1999. An almost equal increase was also found in Denmark: from 52.7 percent in 1981 to 66.5 percent in 1999.

Mixed results were found in the remaining countries: Belgium, Canada, Germany Ireland, and Italy. In these countries, the change in trust levels show some fluctuation: first, it increases over a short period, which is followed by the sudden drop in trust levels. In Canada for instance, trust increased from 1981 – 1993, when the share of the trusting population rose from 48.5 to 53.1 percent. But over the next decade it dropped to 37.0 percent. In Finland, the trend of trust indexes indicate a completely different trend. It shows a sharp drop in the percentage of the trusting population from 62.7 to 48.8 percent, but over the next 5 years it increased to 57.4 percent.

Table 2.: Changes in interpersonal trust levels from 1981 – 2004

<i>Country</i>	<i>Most people can be trusted, %</i>			
	(1)	(2)	(3)	(4)
	1981 - 1984	1989 - 1993	1994 - 1998	1999 - 2004
Australia	48.2	-	40.0	-
Austria	-	31.8	-	33.4
Belgium	29.2	33.5	-	29.2
Canada	48.5	53.1	-	37.0
Denmark	52.7	57.7	-	66.5
Finland	-	62.7	48.8	57.4

France	24.8	22.8	-	21.3
Germany	32,3	37.9	41.8	31.9
United Kingdom	43.1	43.7	29.6	28.9
Ireland	41.1	47.4	-	36.0
Italy	26.8	35.3	-	32.6
Japan	41.5	41.7	42.3	43.1
Netherlands	44.8	53.5	-	60.1
New Zealand	-	-	49.1	-
Norway	60.9	65.1	65.3	-
Sweden	56.7	66.1	59.7	66.3
Switzerland		42.6	37.0	-
United States	40.5	51.1	35.9	36.3

Source: World Values Survey

A similar analysis of this trend is impossible for trust in institutions since the question about confidence in the healthcare system was only asked in the last wave. Instead of analyzing the synthetic indicator, the analysis of its elements will be done to observe the change in their levels. The first element, the confidence in social security system, represents a special interest for us. Again, this analysis is not possible for all countries since the data for some of them are either not available at all or available only for one wave. For those countries where the question about confidence was asked in both waves, one can derive two groups: the first comprises those where a drop in the confidence level was found, the second includes those where a slight increase in the share of trustors in social security systems was observed. The former includes Austria, Denmark, Finland, France, Germany, Ireland, Italy, and the Netherlands. One should mention here that Germany represents an exceptional case in these groups of countries since the share of trustors decreased over the decades from 65.2 to 46.2 percent. The second group includes three countries: Belgium, Sweden, and the United Kingdom, where a slight increase in the share of trustors in

social security was observed. The increase was however so small that the change is almost irrelevant: in Sweden from 46.0 to 49.9 percent, in the United Kingdom from 32.5 to 34.7 percent, and in Belgium from 66.0 to 68.9 percent.

Table 3.: Changes in confidence in social security systems from 1989 - 2004

<i>Country</i>	<i>Share of people having 'a great deal' or 'quite a lot' of confidence in the social security systems.</i>	
	(2) 1989 - 1993	(4) 1999 - 2004
Australia	-	-
Austria	67	66
Belgium	66	68
Canada	61	-
Denmark	69	67
Finland	74	70
France	69	66
Germany	65	46
United Kingdom	32	34
Ireland	59	58
Italy	37	34
Japan	43	-
Netherlands	68	64
New Zealand	-	-
Norway	48	-
Sweden	46	49
Switzerland	-	-
United States	52	-

Source: Own calculations based on the World Values Survey

The change in the confidence in civic services, the police, parliament, and the juridical system shows different trends. The common trend in all of them is however the fact that in different countries the fluctuation of trust elements happened in a different way: in some of them, there was a decline in confidence indicators, in others – an increase. In other words, there is no single pattern that explains the change in confidence levels over time for the selected countries.

An analysis of the confidence in civil services reveals three main groups of countries (see Appendix 1). The first group consists of Australia and France, where there was a clear decline in trust indicators over the analyzed period. The second group includes Denmark, Finland, Ireland, Italy, Japan, and Sweden, where confidence levels increased somewhat, although in some of the countries, this increase was too small to suggest a rise in indicators of institutional trust elements. Austria, Belgium, Canada, and the UK constitute the third group of countries, which can be characterized by no change in confidence in civil services. Their indicators remain almost unchanged during the analyzed period. Apart from these distinct groups, there are some countries, where the trend of change had a non-linear shape. Germany and the Netherlands are good examples: confidence levels in civil services tend to first increase but later decrease. In Norway, the fluctuation of confidence levels showed the opposite trend: it first increased and then declined.

The confidence of people in parliament reveals similar trends (see Appendix 2). Again, there is no clear pattern of change that can adequately apply to all countries. Australia, Austria, France, Ireland and Japan are all characterized by a decrease in the share of the population who have a lot of confidence in the parliament. Contrary to the countries mentioned above, there are also those where a clear increase in confidence occurred. Among the latter, Denmark, Italy, the Netherlands, and Sweden should be mentioned. Belgium and the United Kingdom belong to those countries where some increase in confidence in parliament was immediately followed by a

decrease and thus no clear trend was obvious. The opposite fluctuation, characterized by an initial decrease in the trusting population followed by an increase, was found in Canada, Finland, Germany, and Norway. In some of them, particularly in Canada, Germany, and Norway, the rise in the share of trusting people was not enough to off-set the initial decrease.

Newton (2001) analyzes the reasons for the decline of trust in institutions in Finland where trust in parliament fell from 65 percent in 1980 to 34 percent in 1991. He specifies that the main reason for this loss in institutional trust was of declining economic and political situation in the country. In 1990 Finland fell into a deep economic recession in which unemployment grew, government deficits tripled, taxes increased, and services and wages were cut. In the same period, huge amounts of money fled the country and interest rates soared. Business bankruptcies multiplied while open conflict developed between the government and the central bank. A cabinet minister resigned and another minister was found guilty of corruption and expelled from parliament. Although social trust remained high, confidence in parliament and other public institutions collapsed. This led him to conclude that the problems of decline of institutional trust lay in political events.

Change in confidence levels towards the police show more or less clear fluctuations (see Appendix 3). There are two distinct groups of counties, which combine those nations where there is a clear decline in trust and those where there is a clear increase in confidence in the police. More specifically, a decline in confidence was found in Australia, Canada, the United Kingdom, the Netherlands, and Norway. A rise trust towards the police was found in Austria, Denmark, Finland, France, Germany, Ireland, and Italy. Belgium, Japan, and Sweden cannot be assigned to either of these groups since their indicators tend to fall and then rise with the final indicators being less than the initial ones.

Confidence in the Justice system follows the trends described above (see Appendix 4): on the one hand, there is again no single pattern of change inherent to all countries; on the other hand, the change in many of the selected countries is too small to infer about a decline or rise in confidence levels. In Australia, Belgium, Canada, Denmark, France, the United Kingdom, Italy, the Netherlands, and Norway, the data provide evidence of some decline trust in justice system. An especially sharp drop was found in Australia, where the share of trustors declined from 60.5 percent in 1981 to 34.7 percent in 1994. Austria represents a case with a slight increase in the share of trust: the percentage of people who answered positively to the question increased from 58.4 percent in 1989 to 68.1 percent in 1999. The data for other countries show some fluctuation in the confidence level over the selected periods. In Finland for instance, a slight increase in the share of trustors was followed by an equally slight decrease so that the overall share of trustors remained almost unchanged. In Germany, Ireland, Japan, and Sweden, the trend was the opposite: some drop in the share of trustors was followed by an increase, however in some countries (Sweden) the initial level of confidence was not attained in the end.

The analysis thus provides some evidence of fluctuation for both forms of trust: interpersonal and institutional. The common aspect for all of them is the fact that there is no single pattern that describes trust changes from 1981 – 2004 in all 18 selected countries. In some of them, the decline in the share of trusting populations was found, in others some increase was present. There are also countries which are characterized by a sharp fluctuation of trust levels within the period pointing out either the fact that trust may change within short periods as a result of economic, political, or social changes, or the problems of representation in the data for the selected countries.

The interesting aspect here is the relationship between interpersonal and institutional trust. Newton (2001) suggests that the relationship between these two types of trust is rather asymmetrical: healthy stocks of political capital cannot be built up in nations lacking social capital, but it also cannot dwindle rapidly in countries with well developed interpersonal trust. In the long run, the two are likely to adjust to one another in the sense that higher levels of social capital tend to be associated with higher levels of political (institutional) trust.

The results thus indicate that interpersonal trust is stable over the analyzed period, while institutional trust may vary substantially within a short period of time. There is however no single pattern that the change of institutional trust follows. Both increases and decreases of trust levels were detected in the analysis.

3. Social trust and social expenditures: a descriptive analysis

Before proceeding to the preliminary analysis of the relationship between social trust and social expenditures, it is worth investigating the level of social spending and its fluctuation over the last two decades. The figure given below illustrates social spending on average from 1990 – 2000 in 18 OECD countries. There is no clear trend in the level of social expenditures distribution. Scandinavian and continental countries are among those with the highest social spending. English speaking countries represent the least generous in terms of social expenditures. Japan closes the ranking with total social spending almost half in the countries situated at the top of ranking.

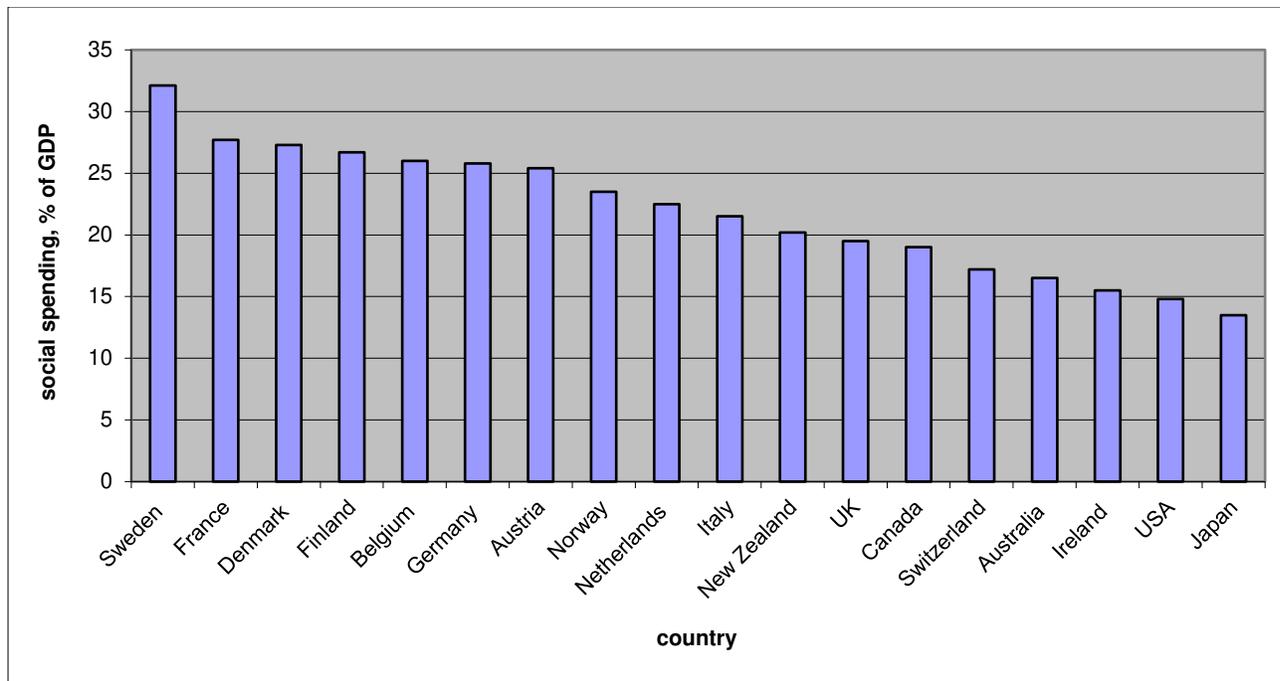


Figure 3.: Social expenditures averaged from 1990-2000.

Source: own calculations based on OECD data (<http://www.oecd.org/statisticsdata/> 20-04-2007)

When analyzing social expenditure levels by welfare regime type (Appendix 5), the data provide evidence that support the expectations. Social democratic regimes are characterized by the highest level of social expenditures – around 27.4 percent of GDP from 1990 – 2000. In the countries belonging to the liberal welfare regime type, the level of social spending is substantially lower, slightly exceeding 17 percent of GDP. Conservative welfare regimes are situated in between with social expenditures from 1990 -2000 equal to 22 percent.

When tracking the change in the level of social spending in the selected countries (Appendix 6), one should mention that the general logic of the trend is similar to what one expects. From 1980 – 1990, there was an expansion of social expenditures in all countries which continued in some of them up to the mid 1990s. This expansion was followed by a curtailment of social spending throughout the 1990s and resulted in a decrease in public expenditures on social policy.

It is however impossible to analyze how this affected social trust levels due to the lack of longitudinal data for social trust.

One can nevertheless link social trust indexes to social expenditure levels in a static point of time. In doing this, one obtains results that point to the existence of a certain relationship between the two variables of interest. In the case of interpersonal trust, there are three distinct groups of countries which almost correspond to Esping-Andersen's welfare regime typology. The first group combines Scandinavian nations and the Netherlands where a high level of social spending is associated with a high level of interpersonal trust. The second group of countries represents those belonging to conservative regime types and where a relatively high level of spending is associated with relatively moderate trust levels. The exceptional case here is France where, in spite of relatively high social expenditures, the level of social trust remains low. The third group comprises countries with liberal welfare regimes as well as Japan that have low social spending and moderate interpersonal trust levels.

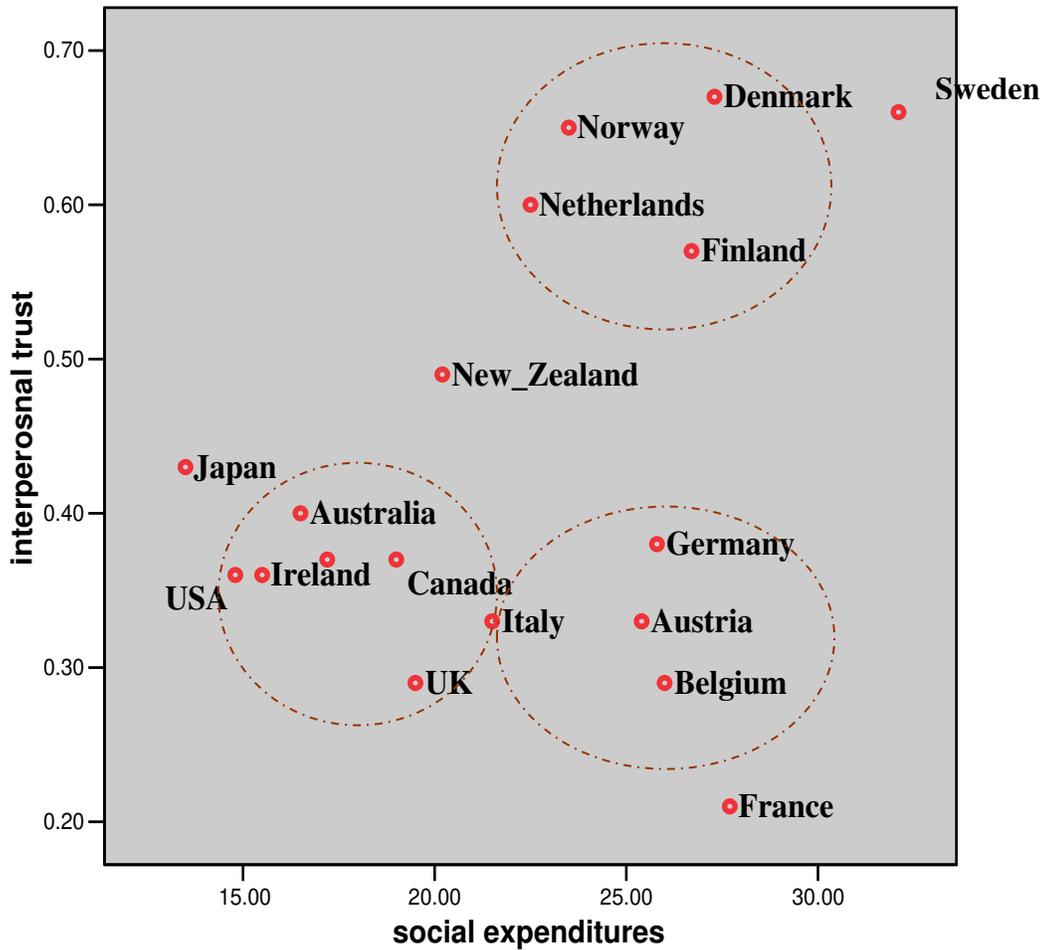


Figure 4.: Relating interpersonal trust to social expenditures

Source: own calculations based on OECD (<http://www.oecd.org/statisticsdata/> 20-04-2007) and the World Values Survey

A similar relationship is seen in the case of institutional trust. Figure 5.5. points to the existence of three distinct groups of countries with social spending levels corresponding to certain institutional trust levels. The first group combines Scandinavian countries and Austria, where high levels of social spending are associated with high levels of institutional trusts. The second group of countries includes those belonging to continental welfare regime types that have relatively high levels of social spending as well as relatively moderate levels of institutional trust. The third group of countries represents liberal welfare regime types, where low levels of social spending are

associated with the lowest levels of confidence towards institutions. The exception here is Italy and Ireland, which show the opposite trend. In Italy, high levels of social expenditures are found to be associated with very low institutional trust levels. In Ireland, on the contrary, low levels of public spending are linked to high levels of institutional trust almost equal to those in Scandinavian countries.

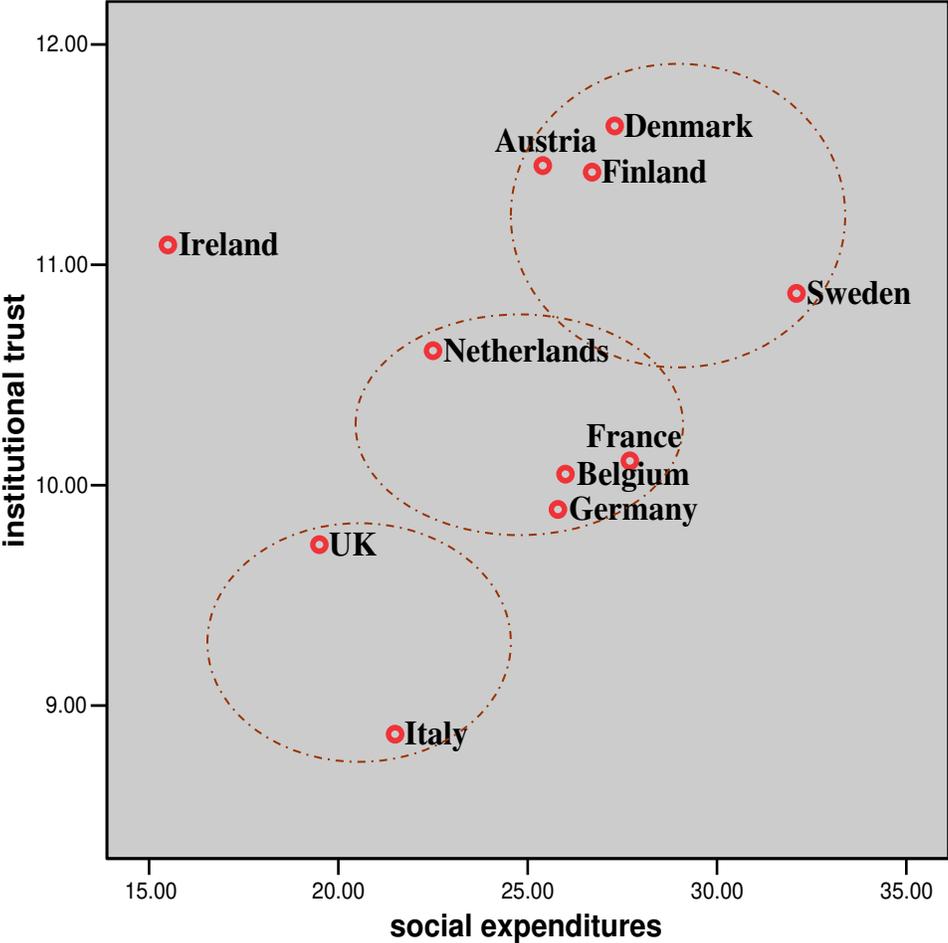


Figure 5.: Relating institutional trust to social expenditures

Source: own calculations based on OECD (<http://www.oecd.org/statisticsdata/> 20-04-2007) and the World Values Survey

Similar results can be obtained when clustering countries according to their levels of social trust. The hierarchical cluster analysis based on the method aimed at detecting the nearest neighbor provides results which to some extent reflect Esping-Andersen's typology. Conservative countries including Belgium, France, and Germany together with the United Kingdom form a distinct group which differs in trust levels from the rest of Europe. Scandinavian nations, together with the Netherlands and Austria, can also be combined in a separate cluster which does show some in-group variation of social trust levels. These two groups are quite distant from each other, but are located as nearest neighborhood families. Italy is situated relatively far from them, forming a distinct group with its own variations in trust levels. The latter supports the need to isolate South-European countries from the rest of Europe in analyzing the trust levels. The absence of the liberal group can be explained by the fact that only the United Kingdom and Ireland were included in the analysis due to a lack of data on institutional trust in other countries with liberal welfare regimes.

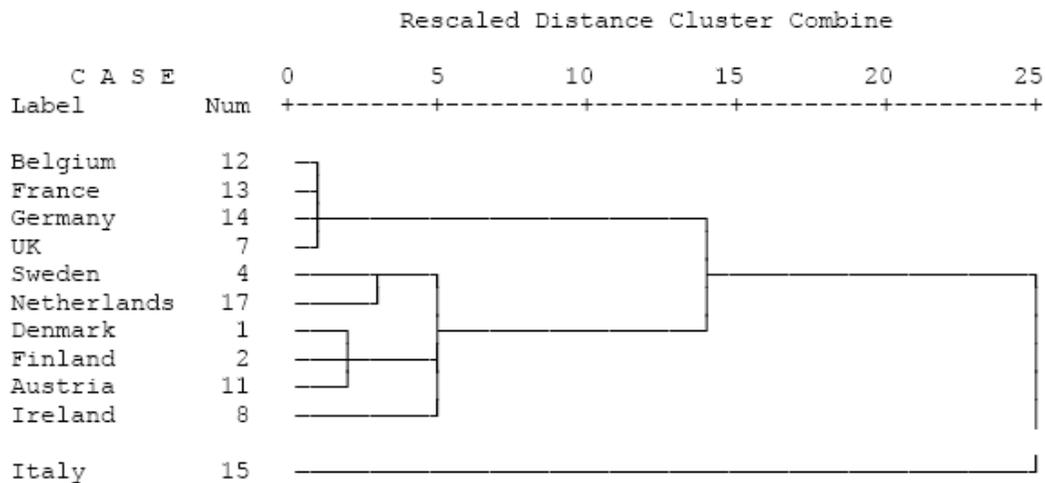


Figure 6.: Hierarchical cluster analysis of social trust

Source: Own calculations based on the WVS

Thus, the cluster analysis reveals that there is a certain grouping of countries on the basis of their social trust levels that coincides to some extent with Esping-Andersen's welfare regime typology. Hence, there must be some association between the level of welfare state intervention in social arrangements and the trust behavior of individuals. The descriptive analysis thus confirms this hypothesis but, in order to draw decent conclusions about the dependence of social trust scores on the level of welfare state development, one should move to an exploratory analysis which would allow one to control for possible spurious and interpretation effects of individuals' and countries' characteristics.

When empirically relating the level of interpersonal and institutional trust to total social spending, we obtain results which again advocate for the presence of a certain relationship. A multilevel analysis that includes only one variable at the second level, namely total social spending, provides the following results:

Table 4.: A multi-level analysis of the effects of social spending on social trust

	Institutional trust	Interpersonal trust
Total social spending	0.057***	0.043***
Variance at level 1 (individual level)	9.522	-
Variance at level 2 (country level)	0.339	0.333

Source: Own calculations based on the WVS

The results lead one to believe that social spending has positive effects on both forms of social trust if not controlling for the country- or individual level characteristics are not controlled

for. An increase in total social spending by one percent increases institutional trust by 0.057 units and increases the odds of trust by 4.4 percent. The values are not that high but still assume a positive relationship between social trust and social spending, which requires a further investigation of these effects. Moreover, controlling for the level of social spending reduces variance at the country level from 0.672 to 0.339 for institutional trust. For interpersonal trust, this decrease in variance is less substantial: from 0.335 to 0.333, pointing out that in the case of interpersonal trust, macro-level characteristics play a weaker role in defining its levels.

The lack of longitudinal data poses a problem for analyzing the relationship between welfare state development and social trust formation. The static view in this case gives us a limited understanding about the dependence of trust levels on the intervention of the state in social interactions. But even a static analysis points to the existence of a certain relationship between social spending and the level of both types of social trust: interpersonal and institutional. To conduct more inquiry into the nature and strength of this relationship, one should proceed to an exploratory analysis, which will allow us to draw conclusions about the kind of effects social policy conducts on social trust.

Overview and concluding remarks

This chapter analyzes the level of interpersonal and institutional trust among the selected countries as well as its change over time. The analysis shows that the average value of both interpersonal as well as institutional trust is highest in social democratic welfare regimes and is followed by liberal welfare regimes, with conservative welfare regime sclosing the ranking. However, when analyzing institutional trust, one reveals less fluctuation compared to the case of interpersonal trust. The analysis of the changes in interpersonal trust from 1981-2004 provides

evidence that points to fact that there is no single pattern followed by all selected countries. In Australia, France, the United Kingdom, and Switzerland, the share of people who positively answered the trust question slightly declined over the period from 1981 – 1998. In Austria, Denmark, Japan, the Netherlands, Norway, and Sweden, the share of the trusting population increased over the analyzed period. Mixed results were found in the remaining countries: Belgium, Canada, Germany, Ireland, and Italy, where the trend of trust change shows some fluctuation. First, it increases over a short period followed by a sudden drop in trust levels. The same pattern was found when analyzing the fluctuation of institutional trust over the selected period. For those countries, where the question of confidence in public welfare institutions was asked in all waves of the survey, one can derive two groups: the first comprises those where a drop in confidence levels was found (Austria, Denmark, Finland, France, Germany, Ireland, Italy, and the Netherlands), the second includes those where a slight increase in the share of trustors was present (Belgium, Sweden and the UK).

When linking social trust indexes to social expenditure levels in a static point of time, the results point to the existence of a certain relationship between the two variables of interest. Scatter plots allow us to visualize three distinct groups of countries which almost correspond to Esping-Andersen's welfare regime typology. The analogous results were obtained when using a hierarchical cluster analysis, which provided a grouping of countries similar to welfare regime typology. When relating social spending to social trust levels, we discovered a certain correlation between these variables. Moreover, inclusion in the multilevel model of social spending explains large share of variation in social trust, especially at the country level.

The descriptive analysis is not however based on the idea about the multidimensionality in operationalizing welfare state development. The analysis of the effects of each dimension on social

trust should thus be undertaken to estimate possible effects welfare states can have on social trust levels. This analysis will be provided in the next three chapters, which will relate different measures of welfare states development to social trust indexes. The first step in performing this analysis will consist in disaggregating total social spending on a functional basis, which will allow us to see whether or not the effects of social policies can be policy specific.

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